

From the Top, Inc.

**Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2016

From the Top, Inc.

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FROM THE TOP

FY16 Program Report

FY16 Program Report

Mission Statement:

From the Top celebrates the power of music in the hands of extraordinary young people by:

- Unleashing the potential of young musicians as leaders in the arts;
- Trumpeting the role of music to impact and enrich lives; and
- Inspiring and building new audiences with a deeper appreciation for classical music.

About From the Top

Based in Boston, From the Top is America's largest national platform celebrating the stories, talents, and character of classically-trained young musicians. Through live events, NPR and video broadcasts, scholarships, and leadership programs, From the Top empowers these extraordinary young people to engage and inspire music lovers of all ages.

In FY16, From the Top's operating costs were \$4,085,836. Approximately 76% of our revenue of \$3,507,789 was derived from contributed income and approximately 24% from earned and other sources. About \$578,000 of our operating expenses were covered by grants received in previous years.

Content and Production

From the Top produces NPR's *From the Top with Host Christopher O'Riley*, the most popular one-hour classical music program on public radio. FY16 saw the launch of the weekly *See the Music* online video series, as well. Key accomplishments in FY16 include:

- Showcased the exceptional talents of more than 200 pre-collegiate, classical musicians, ages 8 to 18, on *From the Top*, recorded in 15 cities around the country.
- Broadcast *From the Top* weekly episodes on more than 200 NPR radio stations nationwide—delivering entertainment to more than 600,000 weekly listeners.
- Began weekly posting of *See the Music* online videos, which resulted in more than 7 million video views on Facebook and YouTube, and a 98% increase in YouTube subscribers.

Education and Outreach

In 2016, From the Top education and outreach activities were consolidated under the Center for the Development of Arts Leaders (CDAL), with programs associated with the national tour of *From the Top* and in From the Top's hometown of Boston. CDAL programs encourage young musicians to be leaders in their communities as advocates, teachers, and spokespeople for the arts. Every From the Top musician has

opportunities to share their music in a variety of settings, developing skills to engage new audiences and create positive change through music. This year, From the Top:

- Provided more than 200 young musicians with leadership training through the Arts Leadership Workshop on the tour of NPR's *From the Top*.
- Presented 35 outreach programs nationwide, led by From the Top performers and reaching more than 3000 schoolchildren, adults, seniors, and underserved audiences.
- Involved 52 Boston area musicians, ages 14–21, in From the Top's Boston CDAL program. The arts leaders donated hundreds of hours of music-related community service, which included teaching after school programs at underserved elementary schools, as well as a performance series of live, free concerts for seniors, families, hospital patients, and others. In total, more than 2000 schoolchildren, patients, and seniors served by 6 Boston-area non-profits benefited from their efforts.

Admissions & Alumni Relations

The Admissions & Alumni Relations department facilitates the application, review, and selection process of musicians for *From the Top* and the *See the Music* video series, while also conducting alumni relations with the nearly 3,000 former From the Top performers. Key accomplishments this year include:

- Evaluated 646 applications
- Held 14 live auditions in locations around the country
- Hosted four(4) alumni gatherings
- Produced more than 20 alumni-centered blog posts

Scholarship & Recruitment

Every year, From the Top and the Jack Kent Cooke Foundation offer significant scholarships to young musicians with financial need. Working with a large network of music instructors and mentors, the Young Artist Award recruitment process also seeks to identify young musicians from under-represented populations. In FY16, From the Top awarded 20 \$10,000 scholarships to 20 students from around the country.

- Scholarship recipients were 20% African American, 20% Asian American, 15% Latino, and 45% White/Caucasian
- The Adjusted Gross Income of scholarship families was \$46,107.

Marketing & Communications

FY16 Marketing and Communications efforts focused on supporting marketing and PR efforts for the national tour of *From the Top*, and growing younger online audiences via YouTube, social media, and the From the Top website. Key achievements this year include:

- Increasing YouTube views by 52%, and subscribers by 98%. These audiences were 61% male, with 89% under the age of 55.
- Increasing Facebook followers by 213%. These audiences are 60% female and 73% under the age of 55.

Independent Auditor's Report

To the Board of Directors
From the Top, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of From the Top, Inc., which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of From the Top, Inc. as of June 30, 2016, and changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The program report for fiscal year 2016 on pages 2 and 3 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management, and has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express or provide any assurance on it.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses - program services on page 22 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited From the Top, Inc.'s 2015 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 1, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

CohnReznick LLP

Boston, Massachusetts
December 16, 2016

From the Top, Inc.

**Statement of Financial Position
June 30, 2016
(With Comparative Totals for 2015)**

		<u>Assets</u>			
		2016			
		<u>Unrestricted</u>	<u>Restricted temporarily</u>	<u>Total</u>	<u>2015</u>
Current assets					
Cash (Note 2)	\$	21,446	\$ 705,605	\$ 727,051	\$ 1,407,086
Investments (Notes 1, 12)		40,364	-	40,364	17,012
Accounts receivable, net (Notes 1, 3)		221,816	305,000	526,816	553,189
Prepaid expenses		47,373	-	47,373	74,456
		<u>330,999</u>	<u>1,010,605</u>	<u>1,341,604</u>	<u>2,051,743</u>
Property and equipment					
Property and equipment, net (Note 4)		69,234	-	69,234	57,800
Other assets					
Long-term accounts receivable, net (Notes 1, 3)		-	63,492	63,492	85,736
Investments (Notes 1, 12)		432,058	50,000	482,058	505,463
		<u>432,058</u>	<u>113,492</u>	<u>545,550</u>	<u>591,199</u>
Total assets	\$	<u>832,291</u>	<u>\$ 1,124,097</u>	<u>\$ 1,956,388</u>	<u>\$ 2,700,742</u>
<u>Liabilities and Net Assets</u>					
Current liabilities					
Accounts payable	\$	21,685	\$ -	\$ 21,685	\$ 19,426
Accrued wages payable		29,844	-	29,844	61,174
Accrued expenses		77,350	-	77,350	93,268
Deferred revenue (Note 9)		25,000	-	25,000	146,318
		<u>153,879</u>	<u>-</u>	<u>153,879</u>	<u>320,186</u>
Total liabilities		<u>153,879</u>	<u>-</u>	<u>153,879</u>	<u>320,186</u>
Net assets					
Unrestricted net assets (Note 15)		678,412	-	678,412	789,025
Temporarily restricted net assets (Note 5)		-	1,124,097	1,124,097	1,591,531
		<u>678,412</u>	<u>1,124,097</u>	<u>1,802,509</u>	<u>2,380,556</u>
Total net assets		<u>678,412</u>	<u>1,124,097</u>	<u>1,802,509</u>	<u>2,380,556</u>
Total liabilities and net assets	\$	<u>832,291</u>	<u>\$ 1,124,097</u>	<u>\$ 1,956,388</u>	<u>\$ 2,700,742</u>

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Activities
Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	2016			2015
	Unrestricted	Restricted temporarily	Total	
Public support				
Contributions (Notes 1, 8)	\$ 877,357	\$ 1,089,757	\$ 1,967,114	\$ 2,744,570
Government support (Notes 1, 7)	27,000	45,000	72,000	158,300
Event revenue	355,747	-	355,747	489,172
In-kind contributions (Notes 1, 6)	257,009	-	257,009	193,585
Total public support	1,517,113	1,134,757	2,651,870	3,585,627
Program services fees				
Carriage fees (Note 9)	384,144	-	384,144	335,022
Road show fees	415,982	-	415,982	304,823
Educational fees (Note 9)	40,476	-	40,476	2,655
Total program service fees	840,602	-	840,602	642,500
Other revenue				
Merchandise sales	713	-	713	1,402
Other income	14,604	-	14,604	2,786
Total other revenue	15,317	-	15,317	4,188
Net assets released from restrictions (Notes 1, 5)				
Expiration of time restrictions	625,000	(625,000)	-	-
Satisfaction of program restrictions	977,191	(977,191)	-	-
Total net assets released from restrictions	1,602,191	(1,602,191)	-	-
Total support and revenue	3,975,223	(467,434)	3,507,789	4,232,315
Expenses				
Program services	2,833,167	-	2,833,167	2,662,739
General and administrative	490,135	-	490,135	465,279
Fundraising	762,534	-	762,534	630,565
Total expenses	4,085,836	-	4,085,836	3,758,583
Change in net assets	(110,613)	(467,434)	(578,047)	473,732
Net assets, beginning	789,025	1,591,531	2,380,556	1,906,824
Net assets, ending	\$ 678,412	\$ 1,124,097	\$ 1,802,509	\$ 2,380,556

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Functional Expenses
Year Ended June 30, 2016
(With Comparative Totals for 2015)**

	2016				2015
	Program services	Supporting services		Total	
		General and administrative	Fundraising		
Production costs	\$ 373,181	\$ -	\$ -	\$ 373,181	\$ 326,631
Event expenses	19,029	-	83,804	102,833	98,168
Payroll and payroll taxes	1,315,839	331,795	457,411	2,105,045	1,992,939
Fringe benefits	119,207	19,525	41,506	180,238	158,606
Advertising	45,547	-	-	45,547	24,189
Scholarships	203,490	-	-	203,490	191,068
Insurance	10,412	5,358	1,005	16,775	17,317
Maintenance and repair	7,077	1,562	1,973	10,612	8,287
Marketing	49,181	5,497	31,986	86,664	69,258
Office expenses	124,238	14,300	56,677	195,215	192,006
Professional fees	144,160	75,469	24,396	244,025	245,621
Rent (Note 10)	82,313	20,729	26,191	129,233	104,976
Telephone/internet	11,862	3,960	3,161	18,983	18,182
Travel, lodging and meals	306,346	7,216	28,455	342,017	283,900
Depreciation	21,285	4,724	5,969	31,978	27,435
Total expenses	\$ 2,833,167	\$ 490,135	\$ 762,534	\$ 4,085,836	\$ 3,758,583

See Notes to Financial Statements.

From the Top, Inc.

**Statement of Cash Flows
Year Ended June 30, 2016**

	2016	2015
Cash flows from operating activities		
Change in net assets	\$ (578,047)	\$ 473,732
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	31,978	27,435
Net realized and unrealized (gains) losses on investments	443	1,068
Investment income reinvested	(162)	(109)
Amortization of discount	(2,756)	(3,032)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	51,373	310,480
Prepaid expenses	27,083	(32,239)
Increase (decrease) in liabilities		
Accounts payable	3,518	(21,970)
Accrued expenses and accrued wages payable	(47,248)	24,361
Deferred revenue	(121,318)	28,828
Net cash provided by (used in) operating activities	(635,136)	808,554
Cash flows from investing activities		
Purchases of property and equipment	(44,671)	(6,688)
Withdrawals from investments	215	215
Purchases of investments	(14,852)	(39,920)
Sale of investments	14,409	38,852
Net cash provided by (used in) investing activities	(44,899)	(7,541)
Net increase (decrease) in cash	(680,035)	801,013
Cash, beginning of year	1,407,086	606,073
Cash, end of year	\$ 727,051	\$ 1,407,086
Schedule of noncash investing and financing activities		
Costs incurred for purchase of fixed assets during the year	\$ (43,413)	\$ (7,946)
Amounts included in accounts payable at beginning of year	(1,258)	-
Amounts included in accounts payable at end of year	-	1,258
Payments for fixed assets	\$ (44,671)	\$ (6,688)

See Notes to Financial Statements.

From the Top, Inc.

Notes to Financial Statements June 30, 2016

Note 1 - Organization and summary of significant accounting policies

Organization and nature of operations

From the Top, Inc. (the "Organization" or "From the Top") is an independent non-profit organization that celebrates the power of music in the hands of extraordinary young people, reaching more than one million people each year. The Organization was organized under Massachusetts General Law Chapter 180 in November 2001. The Organization is exempt from taxes pursuant to Section 501(c)(3) of the Internal Revenue Code.

Based in Boston, Massachusetts, From the Top is America's largest national platform celebrating the stories, talents, and character of classically-trained young musicians. Through live events, NPR and YouTube broadcasts, scholarships, and leadership programs, From the Top empowers these extraordinary young people to engage and inspire music lovers of all ages.

National tour, broadcasts, and digital media

In 17 years, From the Top has recorded more than **329 radio and television broadcasts** before **live audiences in 35 states and two international cities**, featuring nearly **3,000 young artists**. From the Top's **radio show** is distributed by **National Public Radio ("NPR")** to more than **200** stations coast to coast and is the most popular weekly classical music program on public radio. From the Top's **PBS television series** *From the Top at Carnegie Hall* received two **Emmy Awards** and aired for two seasons. From the Top's *See the Music* program produces and distributes online music videos and behind-the-scenes content via You Tube and Social Media.

Education and outreach

From the Top's Center for the Development of Arts Leaders prepares and mentors young musicians across the country to become instruments of change in their communities. Education programs range from half-day arts leadership workshops to full-day in-school residencies and community outreach events. Each year, thousands of students experience the power of From the Top role models in classroom visits and community programs across the country. Additionally, millions of second through twelfth graders learn about From the Top performers in music textbooks and online lesson plans in partnership with Macmillan/McGraw Hill Publishers.

In Boston, From the Top established the first center of its kind focusing on developing and training teen musicians to be arts leaders. Between 2011 and 2016, more than 170 teen musicians have donated thousands of hours of community service - increasing access to high-quality music and learning opportunities for more than 8,000 schoolchildren, seniors, and patients in greater Boston.

Admissions and alumni relations

The Admissions and Alumni Relations department was a new addition to From the Top in fiscal year 2015. The mission of the department is to facilitate the application, review, and selection process of musicians for NPR's From the Top with Host Christopher O'Riley, and conduct an Alumni Relations program to serve the nearly 3,000 former From the Top performers.

Scholarship and recruitment

Since 2005, From the Top and the Jack Kent Cooke Foundation have awarded approximately \$2.4 million in scholarships to 240 exceptional young musicians with financial need. In addition to providing these young artists with an opportunity to perform on From the Top's national broadcasts, recipients are awarded scholarships of up to \$10,000 to continue their musical studies.

From the Top, Inc.

Notes to Financial Statements June 30, 2016

Financial statement presentation

The financial statements are presented on the basis of unrestricted, temporarily restricted and permanently restricted net assets, in accordance with guidance issued by the Financial Accounting Standards Board ("FASB"). Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

<i>Unrestricted net assets</i>	Net assets that are not subject to donor-imposed restrictions;
<i>Temporarily restricted net assets</i>	Net assets subject to explicit or implicit donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time; and
<i>Permanently restricted net assets</i>	Net assets subject to donor-imposed restrictions that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes.

There were no permanently restricted net assets at June 30, 2016.

Basis of accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting, consistent with accounting principles generally accepted in the United States of America.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts receivable

Accounts receivable are stated at the amount the Organization's management expects to collect from outstanding balances. The Organization's management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience and its assessment of current economic conditions. Balances that are still outstanding after the Organization's management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts receivable are deemed to be fully collectible by the Organization's management at June 30, 2016.

Property and equipment

All acquisitions of furniture, equipment, computer software and expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. The Organization capitalizes these costs if the amounts incurred exceed \$1,000. Furniture, equipment and computer software are carried at cost or, if donated, at the approximate fair value at the date of donation. These assets are depreciated on a straight-line basis over their estimated useful lives which range from three to seven years. The cost of leasehold improvements is amortized on a straight-line basis over the lesser of the length of the related leases or the estimated useful lives of the assets. Amortization expense is included in depreciation.

From the Top, Inc.

Notes to Financial Statements June 30, 2016

Investments

The Organization's investments consist of money market funds which are carried at their fair values. Unrealized gains and losses are included in the changes in net assets. Gains and losses on the disposition of investments are determined based on various methods, including the average cost method, first-in first-out method, and last-in last-out method, depending on the type of underlying investment. Investment income restricted by a donor is reported as an increase in temporarily restricted net assets. When the restriction expires (either a stipulated time period ends or a purpose restriction is accomplished), the net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Revenue recognition

All revenue from program services, educational fees, royalties, event revenue and sales are recognized when the programs and events have taken place or the services are performed. Payments received in advance of programs and events taking place and services performed are deferred until earned.

Contributions and donor restrictions

Contributions, including grants, are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a restriction expires, the net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restriction.

Unconditional promises to give are reported at net realizable value if at the time the promise is made collection is expected to be received in one year or less. Unconditional promises to give that are expected to be collected in more than one year are reported at fair value using present value techniques and a discount rate determined by management of the Organization. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. The Organization had no conditional promises to give at June 30, 2016.

Contributions in the form of property and equipment and other assets are recorded at fair value on the date the donation is received. Contributed services that require specialized skills are recognized as revenue at the estimated fair value when the service is received. In addition, individuals volunteer their time and perform a variety of tasks that assist the Organization, but these services do not meet the criteria for recognition as contributed services.

Functional allocation of expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Advertising and marketing

Advertising and marketing costs are expensed when incurred. Amounts incurred for the year ended June 30, 2016 totaled \$132,211.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2016**

Income taxes

The Organization is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. The Organization had no unrelated business income for the year ended June 30, 2016. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Management has evaluated significant tax positions against the criteria established by professional standards and believes there are no such tax positions requiring accounting recognition in the financial statements. Management does not believe its evaluation of tax positions will significantly change within twelve months of June 30, 2016. Any changes in tax positions will be recorded when the ultimate outcome becomes known. The Organization's income tax returns are subject to examination by taxing authorities generally for the years ended June 30, 2013, 2014 and 2015.

Accrued interest and penalties associated with uncertain tax positions are recognized as a part of interest expense and miscellaneous expenses, respectively, in the accompanying statement of activities. The Organization has no accrued interest and penalties associated with uncertain tax positions at June 30, 2016 and none were incurred during the year then ended.

Prior year summarized information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2015 from which the summarized information was derived.

Subsequent events

The Organization has evaluated subsequent events through December 16, 2016, which is the date these financial statements were available to be issued.

Note 2 - Concentration of credit risk

The Organization maintains its cash balance in one account at one bank. The cash balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. At times, these balances may exceed the federal insurance limits; however, the Organization has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2016 and 2015.

No cash equivalents were held as of June 30, 2016 and 2015.

From the Top, Inc.

**Notes to Financial Statements
June 30, 2016**

Note 3 - Accounts receivable and significant customers

Accounts receivable at June 30, 2016 consists of the following:

	Current	Long-term	Total
Pledges			
Contributions	\$ 397,500	\$ 70,000	\$ 467,500
Government support	45,000	-	45,000
Event revenue	13,500	-	13,500
	456,000	70,000	526,000
Discount on pledges	-	(6,508)	(6,508)
Subtotal	456,000	63,492	519,492
Carriage fees	34,787	-	34,787
Royalties	30,721	-	30,721
Other	5,308	-	5,308
Subtotal	70,816	-	70,816
Total	<u>\$ 526,816</u>	<u>\$ 63,492</u>	<u>\$ 590,308</u>

The Organization had pledges receivable representing the following at June 30, 2016:

	Unrestricted	Temporarily	Total
Contributions	\$ 137,500	\$ 330,000	\$ 467,500
Government support	-	45,000	45,000
Event revenue	13,500	-	13,500
	151,000	375,000	526,000
Discount on pledges	-	(6,508)	(6,508)
Total	<u>\$ 151,000</u>	<u>\$ 368,492</u>	<u>\$ 519,492</u>
Receivables due in less than one year	\$ 151,000	\$ -	\$ 151,000
Receivables due in one to five years	-	375,000	375,000
Receivables due in more than five years	-	-	-
	151,000	375,000	526,000
Discount on pledges	-	(6,508)	(6,508)
Total	<u>\$ 151,000</u>	<u>\$ 368,492</u>	<u>\$ 519,492</u>

From the Top, Inc.

**Notes to Financial Statements
June 30, 2016**

The Organization receives grants and contributions from various government sources, private foundations and individuals. For the year ended June 30, 2016, approximately 15% of the Organization's revenue was received from one donor. At June 30, 2016, there were no receivables outstanding from this donor.

Note 4 - Property and equipment

Property and equipment at June 30, 2016 consists of the following:

	<u>Cost</u>	<u>Accumulated depreciation</u>	<u>Net book value</u>
Leasehold improvements	\$ 34,532	\$ (34,532)	\$ -
Production equipment	113,923	(101,756)	12,167
Office and computer equipment	<u>225,717</u>	<u>(168,650)</u>	<u>57,067</u>
	<u>\$ 374,172</u>	<u>\$ (304,938)</u>	<u>\$ 69,234</u>

At June 30, 2016, property and equipment with an original cost of \$235,894 was fully depreciated and still in service.

Note 5 - Restricted net assets

Temporarily restricted net assets are available for the following purposes at June 30, 2016:

Scholarship and recruitment	\$ 519,105
Operations	444,070
Education	159,422
Radio	<u>1,500</u>
	<u>\$ 1,124,097</u>

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes, time or by the occurrence of other events specified by the donor during the year ended June 30, 2016 as follows:

Scholarship and recruitment	\$ 533,103
Operations	625,000
Radio	259,000
Education	126,500
Event	50,000
Board development	<u>8,588</u>
	<u>\$ 1,602,191</u>

From the Top, Inc.

**Notes to Financial Statements
June 30, 2016**

Note 6 - In-kind donations

The value of donated goods and services included as contributions in the financial statements and the corresponding expenses for the year ended June 30, 2016 are as follows:

	Expenses			
	Program services	General and administrative	Fundraising	Total
Professional fees	\$ 114,480	\$ 25,912	\$ 12,500	\$ 152,892
Event expenses	13,140	-	1,410	14,550
Travel	250	-		250
Hospitality	-	-	5,347	5,347
Rent	52,415	13,941	17,614	83,970
Total	\$ 180,285	\$ 39,853	\$ 36,871	\$ 257,009
				Revenue contributions
Professional fees				\$ 152,892
Event expenses				14,550
Travel				250
Hospitality				5,347
Rent				83,970
Total				\$ 257,009

Note 7 - Contingencies

The Organization receives federal financial assistance in the form of grants from the National Endowment for the Arts ("NEA"). This assistance must be used for the programs specified under the grant documents and is subject to federal regulatory provisions under the Uniform Guidance. Federal grants totaling \$45,000 have been recognized as income during the year ended June 30, 2016 all of which are receivable at year end from NEA.

The Organization receives funding from various state agencies and private foundations. Expenditures of funds from the federal and state agencies and certain private foundations require compliance with the grant agreements and are subject to audit by the grantor. Any disallowed expenditures resulting from such audits become a liability of the Organization. In the opinion of the Organization's management, disallowed expenditures, if any, will not have a material effect on the financial position of the Organization.

Note 8 - Grant agreements

Scholarship and recruitment program

The Organization has entered into agreements with the Jack Kent Cooke Foundation to support the identification of applicants for the Organization's scholarship and recruitment program. The original grant was awarded in March 2005 for the period June 1, 2005 through May 31, 2006 and provided for two one-year renewal periods. Since the grant renewals, the Organization has entered into nine

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**Notes to Financial Statements
June 30, 2016**

additional agreements, with the latest grant awarded in March 2016, totaling \$515,000, for the period June 1, 2016 through May 31, 2017. Grants awarded have ranged in value from \$500,000 to \$585,000.

Each agreement contains provisions that grant funds will be expended in accordance with the grant proposal as itemized in the proposed project budget. Any line item that exceeds more than 10 percent of the proposed budget must be agreed to in writing from the grantor. In addition, funds remaining at the completion of the grant period must be returned to the grantor unless the grantor agrees otherwise in writing.

A summary of cumulative activity through June 30, 2016 is as follows:

Grant amounts	\$ 6,271,755
Cumulative expenditures incurred	
Scholarships	(2,374,673)
Program and administrative costs	<u>(3,377,978)</u>
Grant funds remaining	<u><u>\$ 519,104</u></u>

Grant funds held by award year as of June 30, 2016 is as follows:

Grant period ending	
May 31, 2017	\$ 483,777
May 31, 2016	31,161
Prior	<u>4,166</u>
Grant funds remaining	<u><u>\$ 519,104</u></u>

Education and community outreach programs

Arts leadership program

The Organization conducts school and community performances and presentations in up to 18 communities across the country, leveraging the power of young performers ages 8 to 18 as role models for approximately 2,000 - 3,000 students each year. These range from one-day events, to extended partnerships and residencies. In addition, all From the Top performers participate in arts leadership workshops, which allow them to explore the power of music to inspire and create change and to help them develop their own interests and leadership projects once they return home. During the year ended June 30, 2016, the Organization was awarded \$45,000 in support of this program from one grantor to be used during fiscal year 2016. A summary of cumulative activity for this program during the year ended June 30, 2016 is as follows:

Grant awards as of June 30, 2015	\$ 95,000
Current year grants awarded	45,000
Current year expenditures	<u>(95,000)</u>
Grant awards remaining at June 30, 2016	<u><u>\$ 45,000</u></u>

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**Notes to Financial Statements
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Note 9 - Contractual agreements

NPR Agreement

In May 2009, the Organization entered into a distribution agreement with National Public Radio ("NPR") to become the distributor of the radio shows produced by From the Top for an initial three year term commencing on January 1, 2009. The agreement has been amended six times, with the most recent amendment effective January 1, 2014 and continuing through December 31, 2015. The program year under the agreement was from January 1st through December 31st. The Organization and NPR executed a new distribution agreement effective January 1, 2016 which continues in effect through September 30, 2017. The program year under the new agreement was changed and is from October 1st through September 30th. The agreements also granted NPR with the right of first refusal to acquire broadcast rights for new programs for future periods. Currently, the agreement provides NPR with the right of first refusal to acquire the broadcast rights for subsequent to the expiration of the current agreement.

The provisions of the agreements provide for NPR to pay carriage fees as determined in accordance with the contract, which currently provides for the Organization to receive fees based on 97% of the actual carriage fees received by NPR. The agreements currently provide for the Organization to receive 75% of the projected carriage fees during contract year (currently by November 15th) with final reconciliation of the amount earned to be completed by NPR upon the close of each contract year.

Amounts totaling \$384,144 have been recognized as revenue for the year ended June 30, 2016. No amounts were recognized as deferred revenue for the year ended June 30, 2016.

Other

The Organization entered into an agreement, which was effective on January 4, 2008, to provide certain educational related content to McGraw Hill. The agreement provided for revenues for the content and royalties from the continuing publication of the content in text books and online. During the year ended June 30, 2016, royalties of \$40,476 were earned and are included in educational fees in the Statement of Activities.

Note 10 - Leasing arrangements

The Organization entered into a lease agreement for its office space for a period of five years through June 30, 2015. Beginning on July 1, 2015, the Organization began renting its office space on the terms of a month-to-month basis with the current landlord. The current monthly payment at June 30, 2016 was \$2,721. Pursuant to the terms of the lease agreement, the Organization has received the use of the space at a cost below the fair market value. The difference between the fair market value rents and the amounts paid were valued at \$83,970 for the year ended June 30, 2016. This amount was recorded as an in-kind contribution during the fiscal year.

Under the provisions of the agreement, the Organization may also be responsible for the payment of operating costs or taxes, as defined in the agreement.

The landlord notified the Organization that the lease would terminate on December 1, 2017.

Rental expense for 2016 was \$129,233.

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June 30, 2016**

Note 11 - Employee benefit plan

The Organization sponsors an individual based tax sheltered retirement savings plan under Section 403(b) of the Internal Revenue Code. This plan enables any full-time employee who is willing to contribute at least \$650 per year to the Plan to participate. The Plan provides for no sponsor matching or contribution.

Note 12 - Investments

As part of its cash management program, the Organization maintains an investment portfolio. Investments consist of money market funds and are valued at fair value which approximates cost at June 30, 2016.

For the year ended June 30, 2016, investment activity for the portfolio of marketable investment securities was as follows:

Investments, beginning of year	\$ 522,475
Stock donation	
Purchase of investments	14,852
Sale of investments	(14,409)
Investment income (expense)	
Dividend and interest, net of fees of \$215	(53)
Realized/unrealized gain (loss)	<u>(443)</u>
Investments, end of year	<u>\$ 522,422</u>

Note 13 - Fair value measurements

The Organization follows FASB's guidance on fair value measurements, which provides a framework for measuring fair value and expands related disclosures. Broadly, the guidance framework requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for an asset or liability in an orderly transaction between market participants. The guidance establishes a three-level hierarchy based upon observable and non-observable inputs.

The fair value hierarchy under the guidance is as follows:

- Level 1* Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs;

- Level 2* Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly; and

- Level 3* Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. The fair value hierarchy gives the lowest priority to level 3 inputs.

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June 30, 2016**

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The guidance requires the use of observable data if such data is available without undue cost and effort.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used during the year ended June 30, 2016.

Money market funds Valued at the daily closing price as reported by the fund.

The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Organization's fair value of assets measured on a recurring basis as of June 30, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 522,422	\$ -	\$ -	\$ 522,422
Total assets at fair value	<u>\$ 522,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 522,422</u>

Note 14 - Note payable

Line of credit

The Organization entered into a revolving line of credit agreement with a financial institution dated November 18, 2010. The line of credit is subject to review by the financial institution annually and is currently due for review on January 31, 2017. The maximum amount available is \$150,000. Monthly payments of principal, as determined by the lender, and interest are due at the bank's prime rate for commercial loans plus 1.5%, on any outstanding balance. The line is secured by the general assets of the Organization, including funds held in accounts at the institution, and is subject to annual renewal. The agreement also contains certain covenants including a requirement that the line of credit have no outstanding balance for at least 60 days each year. There was no activity on the line of credit during the year ended June 30, 2016.

Note 15 - Board and CEO designated assets

During fiscal year 2007, the Board of Directors established a goal of reserving \$900,000 of the Organization's unrestricted net assets as a working capital reserve. As of June 30, 2016, the Board of Directors has designated a portion of the unrestricted net assets in the amount of \$482,058 for this purpose. The Organization has segregated these funds, which are included in long-term investments, into a money market account.

During fiscal year 2016, the Board of Directors approved a transfer of \$23,500 from the Board designated funds to unrestricted net assets.

Supplementary Information

From the Top, Inc.

**Schedule of Functional Expenses - Program Services
Year Ended June 30, 2016**

	Program Services					Total
	Content and Production	Education and Community Outreach	Marketing and Communications	Admissions and Alumni Relations	Scholarship and Recruitment	
Production costs	\$ 373,181	\$ -	\$ -	\$ -	\$ -	\$ 373,181
Event expenses	14,115	953	3,961	-	-	19,029
Payroll and payroll taxes	466,427	319,037	336,208	69,737	124,430	1,315,839
Fringe benefits	53,381	24,056	30,838	839	10,093	119,207
Advertising	-	-	29,335	-	16,212	45,547
Scholarships	-	-	-	-	203,490	203,490
Insurance	8,355	699	753	264	341	10,412
Maintenance and repair	2,465	1,372	1,478	1,091	671	7,077
Marketing	8,871	14,555	15,770	4,960	5,025	49,181
Office expenses	59,376	20,648	33,410	2,838	7,966	124,238
Professional fees	67,199	17,634	57,277	896	1,154	144,160
Rent	28,654	18,218	19,614	6,917	8,910	82,313
Telephone/internet	4,817	2,182	3,052	788	1,023	11,862
Travel, lodging and meals	213,613	53,022	11,181	2,782	25,748	306,346
Depreciation and amortization	9,058	4,152	4,469	1,576	2,030	21,285
Total expenses	\$ 1,309,512	\$ 476,528	\$ 547,346	\$ 92,688	\$ 407,093	\$ 2,833,167

See Independent Auditor's Report.